

29 August 2018 | 2QFY18 Results Review

## UOA Development Berhad

*Lower earnings due to high base effect*

**Maintain BUY**

**Unchanged Target Price (TP): RM2.80**


### INVESTMENT HIGHLIGHTS

- **1HFY18 earnings within expectations**
- **Lower earnings due to high base effect**
- **1HFY18 new property sales at RM806.7m**
- **Maintain BUY with unchanged TP of RM2.80**

**1HFY18 earnings within expectations.** UOA Development Berhad (UOADEV) 1HFY18 core net income of RM150.3m is deemed within expectations, making up 41% and 42% of our and consensus full year estimates as we expect stronger 2HFY18.

**Lower earnings due to high base effect.** UOADEV 2QFY18 core net income climbed 265.7%qoq to RM118m due to seasonally higher progress billing in second quarter comparing to first quarter. That brought cumulative earnings in 1HFY18 to RM150.3m (-30.6%yoy). Earnings were lower in 1HFY18 as last year earnings in 1HFY17 were boosted by cost adjustment arising from completion of South View Serviced Apartments. Earnings in 1HFY18 were contributed by ongoing projects namely and sale of a completed office tower at Horizon Bangsar South. We expect earnings in 2HFY18 to pick up due to faster progress billing of its property projects. Meanwhile, unbilled sales climbed marginally to RM1.68b in 2QFY18 from RM1.64b in 1QFY18, providing earnings visibility of 1.6 years.

**1HFY18 new property sales at RM806.7m.** UOADEV chalked up new property sales of RM354.9m in 2QFY18, lower than new sales of RM451.8m in 1QFY18 but higher than new sales of RM309.8m in 2QFY17. That brought total new sales to RM806.7m in 1HFY18, increasing 31.6%yoy from new sales of RM613m in 1HFY17. South Link Lifestyle Apartment in Bangsar South is the biggest new sales contributor by contributing 46% of total new sales followed by United Point Residence (18%) and Sentul Point (14%). Meanwhile, upcoming launches in FY18 include The Park Residences II (GDV: RM600m) in Bangsar South.

**Maintain BUY with an unchanged TP of RM2.80.** We maintain our earnings forecasts for FY18/19. Our TP is also maintained at RM2.80, based on -10% discount to RNAV. We like UOADEV for (i) its strategy of launching urban-based affordable priced properties, (ii) healthy balance sheet at net cash position, as well as (iii) attractive dividend yield at 6.3%. 

RETURN STATS	
Price (28 Aug 2018)	RM2.37
Target Price	RM2.80
Expected Share Price Return	18.1%
Expected Dividend Yield	6.3%
Expected Total Return	24.4%
STOCK INFO	
KLCI	1,826.90
Bursa / Bloomberg	5200 / UOAD MK
Board / Sector	Main / Properties
Syariah Compliant	Yes
Issued shares (mil)	1520
Market cap. (RM'm)	4,372
Price over NA	0.97
52-wk price Range	RM2.3-RM2.71
Beta (against KLCI)	0.74
3-mth Avg Daily Vol	0.63m
3-mth Avg Daily Value	RM1.57m
Major Shareholders (%)	
UOA Holdings Sdn Bhd	69.81%
EPF	6.70%

## INVESTMENT STATISTICS

FYE Dec (RM m)	FY15A	FY16A	FY17A	FY18F	FY19F
Revenue	1643.2	996.2	1081.6	1295.1	1371.3
Core EBIT	634.6	611.7	549.8	571.6	596.7
Core PBT	626.3	626.5	566.4	556.2	580.8
Net Income	417.0	676.7	491.1	362.9	379.0
Core Net Income	398.1	373.9	401.4	362.9	379.0
EPS (sen)	28.3	42.0	30.4	23.9	24.9
Core EPS (sen)	27.0	23.2	24.9	23.9	24.9
Net DPS (sen)	15.00	15.0	15.0	15.00	15.00
Net Dvd Yield	6.3%	6.3%	6.3%	6.3%	6.3%
Core PER	8.77	10.22	9.53	9.93	9.51
NTA/share (RM)	2.14	2.36	2.47	2.94	3.05
P/NTA	1.11	1.00	0.96	0.81	0.78
Core ROE	12.6%	9.8%	9.4%	8.1%	8.2%
Core ROA	9.1%	7.5%	7.3%	6.3%	6.3%
Net Gearing	Net Cash	Net Cash	Net Cash	Net Cash	Net Cash

Source: Company, MIDF Research Estimate

## UOADEV: 2QFY18 RESULTS SUMMARY

FYE Dec (RM'm, unless otherwise stated)	Quarterly Results			Cumulative	
	2QFY18	%YoY	%QoQ	FY18	%YoY
Revenue	305.0	-34.3%	77.3%	476.9	-22.9%
Core EBIT	176.1	-23.9%	266.6%	224.1	-27.5%
Core PBT	174.6	-24.4%	284.3%	220.1	-28.6%
Net Income	118.0	-30.2%	265.7%	150.3	-30.6%
Core Net Income	118.0	-30.2%	265.7%	150.3	-30.6%
EPS (sen)	6.81	-34.3%	265.7%	8.7	-35.4%
Core EPS (sen)	6.81	-34.3%	265.7%	8.7	-35.4%
Net DPS (sen)	0.00	NA	NA	0.0	NA
NTA/share (RM)	2.43	-8%	-4%	2.4	5%
Net Gearing (x)	Cash	NA	NA	Cash	NA
Core EBIT Margin	57.7%	NA	NA	47.0%	NA
Core PBT Margin	57.3%	NA	NA	46.1%	NA

Source: Company

## UOADEV RNAV

Landbank/Buildings	Location	Stake	Size (sq ft)	Price (RM/sqft)	Value (RM m)
<b>Completed Buildings</b>					
Nexus Bangsar South	Bangsar South, KL	100%	768,252	250	192.0
The Vertical Bangsar South	Bangsar South, KL	100%	124,700	1,330	165.8
Camelia Service Apartments	Bangsar South, KL	100%	249,884	511	127.8
Bangsar South	Bangsar South, KL	100%	44,692	1,865	83.4
The Vertical Bangsar South Car Park	Bangsar South, KL	100%	32,367	1,858	60.1
The Vertical office tower	Bangsar South, KL	100%	22,927	2,105	48.3
<b>Ongoing Projects and unbilled sales</b>					
Desa Green	Taman Desa, KL	85%		DCF @ WACC 10%	56.02
UOA Business Park (previously: Kencana Square)	Selangor	39%		DCF @ WACC 10%	27.33
South View Serviced Apartments	Bangsar South, KL	100%		DCF @ WACC 10%	96.52
SouthBank Residence	Old Klang Road	60%		DCF @ WACC 10%	29.68
Desa Sentul (Phase 1)	Sentul	100%		DCF @ WACC 10%	33.19
Vertical Corporate Tower	Bangsar South, KL	100%		DCF @ WACC 10%	53.89
Suria @ North Kiara	KL	100%		DCF @ WACC 10%	15.04
United Point	Kepong	100%		DCF @ WACC 10%	188.42
Danau Kota Suite	KL	100%		DCF @ WACC 10%	41.95
Sentul Point	Sentul	100%		DCF @ WACC 10%	207.79
The Sphere	Bangsar South, KL	100%		DCF @ WACC 10%	134.25
South Link	Bangsar South, KL	100%		DCF @ WACC 10%	80.19
Desa Center	Taman Desa, KL	100%		DCF @ WACC 10%	46.53
<b>Future Projects</b>					
			<b>Assumed Duration (Yrs)</b>		
Jalan Ipoh Land	Jalan Ipoh	100%	6	DCF @ WACC 10%	1,115.14
Desa Business Suites	Taman Desa	100%	4	DCF @ WACC 10%	63.39
Bandar Tun Razak Land	Cheras	100%	3	DCF @ WACC 10%	46.15
Desa III	Taman Desa	70%	2	DCF @ WACC 10%	1.66
Bangsar South Land (Commercial)	Bangsar South, KL	100%	6	DCF @ WACC 10%	410.36
Bangsar South Land (Residential)	Bangsar South, KL	100%	6	DCF @ WACC 10%	351.74
Sri Petaling land	Sri Petaling	100%	5	DCF @ WACC 10%	76.72
Land around Bangsar South	Kerinci	100%	5	DCF @ WACC 10%	115.51
<b>Total landbank value</b>					<b>3868.8</b>
Fixed Assets					162
Cash					988.166
Total Liabilities (excl. deferred tax & construction related payables)					294
<b>Total RNAV</b>					<b>4725.0</b>
Fully Diluted No of shares (m)					1520
RNAV per share (RM)					3.11
Discount					10%
<b>Target Price (RM)</b>					<b>2.80</b>

Source: Company, MIDF Research Forecast

## DAILY PRICE CHART



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### MIDF AMANAH INVESTMENT BANK : GUIDE TO RECOMMENDATIONS

#### STOCK RECOMMENDATIONS

BUY	Total return is expected to be >10% over the next 12 months.
TRADING BUY	Stock price is expected to <i>rise</i> by >10% within 3-months after a Trading Buy rating has been assigned due to positive newsflow.
NEUTRAL	Total return is expected to be between -10% and +10% over the next 12 months.
SELL	Total return is expected to be <-10% over the next 12 months.
TRADING SELL	Stock price is expected to <i>fall</i> by >10% within 3-months after a Trading Sell rating has been assigned due to negative newsflow.

#### SECTOR RECOMMENDATIONS

POSITIVE	The sector is expected to outperform the overall market over the next 12 months.
NEUTRAL	The sector is to perform in line with the overall market over the next 12 months.
NEGATIVE	The sector is expected to underperform the overall market over the next 12 months.